S. HRG. 101-244

NOMINATION OF JOHN D. MACOMBER

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

THE NOMINATION OF JOHN D. MACOMBER, OF NEW YORK, TO BE PRESIDENT OF THE EXPORT-IMPORT BANK OF THE UNITED STATES

JULY 20, 1989

Printed for the use of the Committee on Banking, Housing, and Urban Affairs

U.S. GOVERNMENT PRINTING OFFICE

21-122 WASHINGTON : 1989

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

S241-33

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

DONALD W. RIEGLE, JR., Michigan, *Chairman*

ALAN CRANSTON, California
PAUL S. SARBANES, Maryland
CHRISTOPHER J. DODD, Connecticut
ALAN J. DIXON, Illinois
JIM SASSER, Tennessee
TERRY SANFORD, North Carolina
RICHARD C. SHELBY, Alabama
BOB GRAHAM, Florida
TIMOTHY E. WIRTH, Colorado
JOHN F. KERRY, Massachusetts
RICHARD H. BRYAN, Nevada

JAKE GARN, Utah
JOHN HEINZ, Pennsylvania
ALFONSE M. D'AMATO, New York
PHIL GRAMM, Texas
CHRISTOPHER S. BOND, Missouri
CONNIE MACK, Florida
WILLIAM V. ROTH, JR., Delaware
NANCY LANDON KASSEBAUM, Kansas
LARRY PRESSLER, South Dakota

KEVIN C. GOTTLIEB, *Staff Director*
LAMAR SMITH, *Republican Staff Director and Economist*

CONTENTS

THURSDAY, JULY 20, 1989

	Page
Opening statement of Chairman Riegle	1
Opening statement of:	
Senator Heinz	2
Senator D'Amato	3
Senator Shelby	5
Senator Dixon	10

NOMINEE

John D. Macomber, of New York, to be President of the Export-Import Bank of the United States	4
Biographical sketch	17

NOMINATION OF JOHN D. MACOMBER, OF NEW YORK, TO BE PRESIDENT OF THE EXPORT-IMPORT BANK OF THE UNITED STATES

THURSDAY, JULY 20, 1989

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The committee met at 10:35 a.m. in room SD-538 of the Dirksen Senate Office Building, Senator Donald W. Riegle (chairman of the committee) presiding.

Present: Senators Riegle, Cranston, Dixon, Shelby, Heinz, D'Amato, and Pressler.

OPENING STATEMENT OF CHAIRMAN RIEGLE

The CHAIRMAN. The committee will come to order.

Today our principal purpose is to conduct a confirmation hearing on the nominee to be the Chairman of the Export-Import Bank, Mr. John Macomber. We are pleased to have him with us. He is accompanied by, of course, our colleague and good friend, Senator D'Amato, who is here for the purposes of introduction.

I am going to make a brief opening comment. Then I am going to call on Senator D'Amato to make introductory comments.

As we know, Senator Heinz, who has very strong and continuing interest in this subject and has urged the committee to move as quickly as possible on this nomination, and so we do so today in recognition of the importance of the position and the strong feeling of colleagues, particularly Senator Heinz and Senator D'Amato and others.

The Bank was originally created to finance trade with the Soviet Union when commercial banks were reluctant to do so. Today the principal role of the Eximbank is to promote U.S. export sales to most parts of the world. It does this through financing programs that include direct loans, financial guarantees to private lenders, and commercial and political risk insurance.

The Bank began such operations over 40 years ago, using $1 billion appropriated to it by Congress. Since then it has not received any appropriated funds. Instead, it has borrowed from the Federal Financing Bank, an arm of the Treasury Department, to maintain its lending operations. It borrows at one rate and lends money to exporters at a lower rate.

The Congress determines for each fiscal year the total amount of new direct loans the Bank can authorize and the total dollar amount of new guarantees and insurance it can extend. In 1988,

the Bank was authorized to make up to $690 million of direct loans and $14.6 billion of loan guarantees and insurance.

Today America finds itself with a massive trading deficit which has made us the largest debtor nation in the world, a very distressing fact. In order to get out of this hole that we have dug for ourselves, we must expand exports as never before.

The Export-Import Bank is an instrument created to assist our exporters, but in view of our budgetary problems, we need creative thinking in how we can get more productivity, if you will, and strengthened U.S. exporting from this entire operation. We require the new Chairman of the Bank to take the lead and work closely with Commerce and Trade Department officials in how best to put together a coordinated program of export expansion.

I am very pleased that a man like Mr. John Macomber, with his extensive background in business and finance, has been nominated to head the Bank at this crucial period, and we look forward on this committee to working with you in the years ahead to see how we together can rapidly increase America's exports.

Before we call on Senator D'Amato, let me first yield to Senator Heinz.

OPENING STATEMENT OF SENATOR HEINZ

Senator HEINZ. Mr. Chairman, thank you very much.

All I really want to say, Mr. Chairman, is that I am deeply indebted to you for honoring my request to schedule at the earliest possible date—we talked at the beginning of the week—John Macomber for his hearing and hopefully the markup that you have scheduled for 11:15 a.m.

I did so, of course, because the Export-Import Bank's Acting President is going to be out of his position on the 22nd of July, and I am rather responsible for that situation because in a previous authorization of the legislation I wrote in on purpose, because frankly I didn't want the then incumbent to be a hold-over, that there be a limitation of 6 months on the time period that anybody may be acting as President of the Eximbank and after that you have got to have a real nominee confirmed by the Senate in that position, and it was because of that rather unique stricture in the law that I went to you, Mr. Chairman, and asked for special consideration for the position of the President of the Eximbank.

I also happen to believe that we are really fortunate to have an individual—I know you feel the same way—of the qualifications, background, experience, and can-do attitude that I believe John Macomber represents, but I just want to express my personal gratitude to you, Mr. Chairman, on having moved not just expeditiously but almost so rapidly I would almost call it, but not quite, recklessly, because you have had very little time to set this time, and I trust we haven't broken any Senate rules in so doing.

As I say, I am deeply grateful.

The CHAIRMAN. Thank you very much.

I want to say that your leadership with respect to the Export-Import Bank has been really outstanding now for a period of years, and I shudder to think where we might be otherwise, and so I want to acknowledge that leadership and the fact that we need really

top flight executive thrust there, and I think our nominee can provide that today.

So I think we have moved more quickly on this than perhaps we have on anything else in response to unique circumstances that you have cited here. So we are going to move ahead in that vein.

Senator D'Amato.

OPENING STATEMENT OF SENATOR D'AMATO

Senator D'AMATO. Mr. Chairman, you have preempted me in my introduction to John Macomber, and that is good. It is good because it is important that John knows our strong feeling, the feeling of this committee and, indeed, the Congress, of the importance of the work that he undertakes, and I think it is equally important that he understands that he has an appreciative Senate, the Senate Banking Committee, who appreciates the sacrifice that he makes in undertaking this important position and how thankful and grateful we are that he chooses to serve and answer the call of the President and the people of his nation and that we, indeed, are very fortunate, Mr. Chairman, as you have stated, to be able to call upon someone who has a demonstrated integrity and capacity to undertake a difficult position, one that is so challenging in terms of international competition, and seldom, if ever, have we had a nominee who is so uniquely qualified in terms of both his educational experience and his experience in the business community, both domestically and in the international community.

So, Mr. Chairman, it is indeed a privilege for me to have the opportunity to introduce Mr. Macomber to this committee.

I, too, would like to commend Senator Heinz for his steadfastness of purpose as it relates to the importance of the Eximbank, because it has been over a period of years that he has championed it. He has saved it from the scalpels of OMB and those who would have done away with it, going back in the early 1980's, and indeed today, when we talk about competition, particularly with a leader such as John Macomber, the opportunity to undertake that competitiveness, that will change hopefully and begin to bring about a difference as it relates to the imbalances in trade that we now have.

So I am indebted to both the Chairman and Senator Heinz for his leadership and certainly appreciative that Mr. Macomber today comes forth in the spirit of true Americanism ready to serve his country during this vital time.

The CHAIRMAN. Very good.

Mr. Macomber, please stand and I will administer the oath to you.

[Witness sworn.]

The CHAIRMAN. Let me now invite you to be seated. I don't know if you have any members of your family that you want to introduce. If so, we would love to meet them, but we would like you to proceed now to make whatever opening comments you would care to make.

TESTIMONY OF JOHN D. MACOMBER, OF NEW YORK, TO BE PRESIDENT OF THE EXPORT-IMPORT BANK OF THE UNITED STATES

Mr. MACOMBER. Thank you very much, Senator and Senator D'Amato, for your very kind words.

I can't say how appreciative I am to you, sir, for speeding things along the way that you have. I am deeply grateful to you, and particularly under the circumstances. I know you have other very important items that you are dealing with. So for all those reasons, thank you a lot.

Unfortunately, my good wife and children are not here today because we moved a little too quickly. The airplane schedules were such that they could not be here.

The CHAIRMAN. But they are here in spirit.

Mr. MACOMBER. And I will give them a good report about the proceedings.

I did want to say a couple of things about the role of the Bank and why I am genuinely looking forward to the possibility of providing leadership to the Bank.

The Bank has had a distinguished record for many years and truly has made a contribution to the issue of exports.

Having said that, there is no question in my mind that we are dealing with an unusual situation and an unusual opportunity for the Bank to deliver.

Putting aside for the moment the budget constraints, I believe there are some circumstances that make the opportunity for the Bank's contribution very great. First of all, there is the general recognition on the part of the Legislative Branch and the Executive Branch of the importance of trade in general, and exports in particular, to this country.

With the changing priorities of the various nations, particularly the Soviet Union and the Eastern bloc countries, there is an opportunity that we haven't been presented with since World War II. There is an entirely different attitude abroad about the importance of trade, not only in the economic sense, but also in the sense of what it can do for the living standards of the people involved. That has always been there, but never to the degree that it is now.

Second, sir, we are dealing with an issue that is very serious. I won't say the word "abdication," but I will say commercial banks in this country are running away from a willingness to provide financing for capital and trade investments outside the boundaries of the United States.

This has happened for many reasons, as we all know. It is very, very serious, and under these circumstances the Export-Import Bank does have an opportunity and an obligation, to the extent that we can finance it intelligently, to fill the breach until we can attract the commercial banks back into the picture. That will happen, but it will take time. Clearly, it is something that is very high on my agenda.

The final thing I would say is that the Bank can make a contribution to the very sound objectives of the Brady plan, without getting into the details of the strengths and weaknesses of that plan. I have spent a good part of my time living with that plan recently.

There is no question that while the Export-Import Bank by itself is not going to solve the problem, it can be a help provide credits to the lesser developed countries to help us get through this very, very difficult time. Obviously, that is one of the central issues of the plan.

There are several other reasons why I am enthusiastic about Eximbank.

I am proud to have this opportunity to serve. I look forward to this. I look forward to working with you and other members of the committee, who clearly have done some original and creative thinking on trade in general and exports in particular I think we have a chance to bring some fresh ideas to the scene.

That is all I have to say. That is why I am here.

Again, my thanks to you, sir, for your efforts to move this along. I am very grateful.

The CHAIRMAN. I appreciate your comments, and I appreciate the spirit that you express here in terms of both a fresh look and good cooperation back and forth.

Your brother Bill was well-known to many of us during his term of service in the Government, fondly so and respectfully so, particularly in my own case. So I know you are part of a great blood line.

Mr. MACOMBER. If I may interrupt you for one moment, I did take the liberty of calling him this morning at 7:30 for a little big brotherly advice. He said just answer the questions.

The CHAIRMAN. I see. Well, he is capable of giving good advice, and he obviously did in that case.

Let me ask you, is it your intention, barring some extraordinary circumstance, to fill out the 4-year term?

Mr. MACOMBER. Oh, yes, absolutely.

The CHAIRMAN. Very good.

Senator Shelby, do you have some opening comments?

OPENING STATEMENT OF SENATOR SHELBY

Senator SHELBY. Mr. Chairman, I just came to the hearing to add to some things you have been saying.

I believe we have someone before us today that is uniquely qualified for this position. I came here to just aid and abet his nomination and look forward to the time that you take the office, and if you would stay there 4 years, I think this is a crucial time, as we discussed before, dealing with our trade balance and our own firms, what kind of role they are going to play.

You come uniquely out of a business world where you were very successful. You have been dealing in multi-national things and issues for many, many years. I believe you have got many more years to give to the country, and that is what you are going to do in the next 4 years, as you well know. You have been in and around, your family has been in Government. I believe again you can give great service to the country, and I look forward to helping with this nomination, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Shelby.

Let me pose a question here, and then I will yield to Senator Heinz.

There have been reports that the Eximbank is suffering from a variety of financial problems. The Bank's capital base has fallen to the point where it could actually undermine the mission that we have for it. Some analysts argue that the loss of the capital base illustrates that the Bank faces conflicting requirements.

Well, the Eximbank is supposed to be self-supporting and is also required to extend loans and guarantees at rates that are competitive with Government-supported rates that are provided by other countries to promote their exports. I am wondering what course of action you think the United States should take to try to meet the challenge that is posed by other governments that provide these subsidized loan rates to their manufacturers and to their producers.

Mr. MACOMBER. There has been, as I understand, sir, a historic battle between our country and others about the so-called tied aid/mixed credit situation. Clearly, we need to continue the negotiations that we have had in previous years, some of which were extraordinarily successful in bringing some order out of that chaos.

It seems to me that we are now at a time when the Government, with a capital G, needs to take a fresh look at the tied aid/mixed credit situation because the competitive environment in which our country is now operating is vastly different than it was 10 or 15 years ago, when we could afford to have a singular policy that could be totally out of step with the rest of the world. I am not so sure we have that luxury any more.

Now, we may end up maintaining that as a policy when we finish the debate, but I do believe it is a legitimate issue that needs to be debated. I have some very strong views about it that I would be glad to go into any time you feel it is appropriate. But the gist of it is that we are beyond the stage of having a knee-jerk reaction that says it is not the right thing to do.

On the other hand, I don't think we should just open the spigot of Federal money. There is a fine line here. On the one hand we should be careful about protecting the taxpayer's money, but on the other hand we should be aggressive about sending a signal that we are serious about building our position outside this country.

Tied aid/mixed aid by itself isn't going to do it. We have all kinds of attitudinal problems that go along with it. But it is an important singular issue, and I believe that the moment is ripe to raise it.

The CHAIRMAN. I might just mention one case that would be of interest to Senator D'Amato and I think Senator Heinz and Senator Shelby as well, and that is that several years ago the City of New York was buying subway cars. It turned out we are now down to the last subway car maker in the United States, the Budd Company. They were bidding on providing subway cars. It turned out there was a Canadian company that by virtue of favorable credit terms that they could extend the City of New York, which at that time was still struggling with financial problems, made that transaction from the City of New York's point of view much more advantageous to buy the foreign product than to be able to buy from the last domestic maker.

We ran into a very clear case and the City of New York ended up buying the foreign supplied cars. Now, there was some Ameri-

can content in it, but nevertheless we ran directly into the problem of how we—and this wasn't the case of a U.S. export. It was a case of fending off a subsidized interest rate transaction on an imported product.

So it is a very serious problem, and we have seen it in a multitude of forms. So we will look forward to your leadership in that area and very much your thoughts on it.

Mr. MACOMBER. I have one supplemental comment about that point, without talking about the Budd Company in particular because I don't know anything about that. The situation today with the average American manufacturing company dramatically different from the situation when that deal came up, which, as I recall, was about eight years ago. The quality and competitiveness of the average American company is so much higher today than it was in those days. We are dealing with a different kettle of fish.

In those days it was not only an issue of the subsidy, but of better quality. The quality issue is not totally dead. But the American manufacturing community as a whole, and the automobile industry in particular, have made enormous strides. Therefore, I have no problem at all saying that we have a legitimate right to compete on that so-called level playing field about that quality issue, which was underlined sotto voce.

The CHAIRMAN. Very good. I appreciate that comment about the improvements we have made.

Senator Heinz.

Senator HEINZ. Mr. Chairman, I have just a couple of brief questions for John Macomber, and they relate to legislation that I have introduced. He may or may not have had a chance to look at it.

S. 1217. I am pleased to say that one-third of the members of the Banking Committee have joined in co-sponsoring it. But even if you are not familiar with the details of the bill, I would like to ask you about a couple of concepts in the bill just to get a sense of how you might generally react.

As you well know, there is a limited budget, and what I have tried to do with the legislation is to give the Bank greater discretion by permitting the Bank to offer both mixed credits and interest subsidies in addition to its traditional direct credits and guarantees.

My question to you is how important do you believe that that expanded authority and flexibility would be to the Bank in promoting exports? Would it be on balance a significant plus?

Mr. MACOMBER. It would be an enormous plus. There is absolutely no question that the combination of the maneuvering room that you are giving in that proposed legislation plus the specifics would put the Bank in a dramatically stronger position.

Now, there is always the question of how much money is involved. But putting that aside for the moment, the concept is, I think, extraordinarily refreshing, and it really passes the test of common sense. I think it would work.

Senator HEINZ. And the reason it gives the Bank that much more striking power is what?

Mr. MACOMBER. There are two or three reasons, one of which is the point I made earlier about commercial banks being out of the game and the need to be innovative about making Eximbank's

guarantees more attractive, more doable, more sensible. It will take a lot of work for the Bank to do it sensibly, but that is important.

The other point on the tied aid/mixed credit issue relates to the specific situation where, all things being equal, an American manufacturer should have a product sold in that country, that goes back to the point I made to Senator Riegle about quality. But I think it can be of enormous help. You know, a little bit of money can go a long way.

I come from the sector where people think $100 million or $300 million is a lot of money. In the old days, if we had taken a war chest of $100 million and levered it up with the concept of your guarantees to roughly $300 million, that may not have solved the problem but it certainly would have gotten us started. It would give us enough of a record to, A, go back to the negotiating table and, B, indicate to people that the thing really does make sense and works.

Senator HEINZ. And the opportunity to combine an interest rate subsidy with a guarantee obviously gives you a lot of, literally, leverage that you don't have now?

Mr. MACOMBER. That is right.

Senator HEINZ. One other question. One of the main goals that we tried to achieve in the last Bank reauthorization was to permit the full transferability of Exim guarantees so there would be a healthy secondary market for it. That effort met with very limited success. In this bill, S. 1217, we revisit that issue by permitting the Bank broader authority to set both terms and conditions of its guarantee program and to promote secondary marketing of guarantees.

How important is that kind of fully acceptable, fully marketable guarantee to the Bank's export promotion effort and in expanding the use of the guarantee and lowering its cost? How important do you rate the ability of the Bank to set the terms of its guarantee program without interference from Treasury and OMB?

Mr. MACOMBER. On the second question I will have to think about that. I am not quite sure how I would answer that.

But going back a few words, to what I thought was the heart of the plan: the securitization of the notes can be of enormous importance because it can be one of the most practical ways of attracting commercial banks—not just the money center banks, but the regional banks—back into the export finance scene.

We won't know until we do a little more homework, but in principle it is an enormously attractive feature to a bank to be able to sell that note, get it off its balance sheet, get the cash for it and have it flow through. It makes no difference to the Federal deficit bookkeeping, as I understand it.

I would have to postpone answering that question about the OMB. I think I know the answer, but I will give it to you later.

Senator HEINZ. Thank you, John, for your excellent answers. I very much appreciate what you have said.

And this last one is, in effect, that by allowing the private sector to operate we get a lot of advantages and none of the disadvantages of trying to keep everything right in a very tightly circumscribed, Government-controlled circumference, and we are being both penny foolish and pound foolish to do it.

Thank you.

The CHAIRMAN. Thank you, Senator Heinz.

Senator Dixon, did you have a comment?

Senator DIXON. I have no comment other than to say that this fine witness comes highly recommended by business interests and others in my State, and I am delighted to support Mr. Macomber.

Mr. MACOMBER. Thank you, indeed.

The CHAIRMAN. Senator D'Amato.

Senator D'AMATO. Thank you, Mr. Chairman.

I am going to raise one question—and it is not even a question, John—but ask you to be on the lookout for because I understand one of the first pieces of business that you will be confronted with is the approval, I believe the initial approval, to Colombia for the purposes of guaranteeing, I think, a $170 million loan for the purchase of some $200 million worth of defense equipment, military equipment, to be used for fighting the drug war.

One of the things that I have to ask myself is, does the Eximbank have procedures to ensure the proper use and maintenance of that equipment? Are we going to be undertaking this loan, and how would we see to it that this equipment is really used in that drug war as was intended in the Drug Act, which made it possible for this loan to take place?

It is more of a caveat, but I certainly want you to be careful of that, and if there have not been proper guarantees as it relates to the procedures, that you see that they are in place as best you can.

Mr. MACOMBER. The importance of your comment is underscored by the fact that if it doesn't work and if there is a foul-up, we will effectively have killed this program, and that would be too bad. That is totally against the interests of the Congress and the administration. While the Eximbank does not have a bunch of policemen around and we don't have people in these different countries, we can take what I would call common sense steps to be sure that the local embassy people and others who would be appropriate do the correct thing about this.

It is very important that we all keep an attitude of healthy skepticism about the implementation of some of these programs, and I, for one, believe in that.

Senator D'AMATO. Mr. Chairman, that is good to hear, and that is why this practical sense approach that John Macomber brings is so important, because it does afford us a unique opportunity to assist those nations who for so long have been saying that the United States makes rather unreasonable demands upon them in the drug war, where are you to help.

Here is an example where we can help, and if it is successful in Colombia, there is no reason why this kind of program can't be implemented in other areas.

If it is not, as Mr. Macomber has indicated, then it may bring an end to a window of opportunity to deal with the international drug cartel.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator D'Amato.

Senator Shelby.

Senator SHELBY. Mr. Chairman, I have no questions. Like I said earlier in my opening statement, I am just here to try to move a nomination whom I believe is uniquely qualified.

The CHAIRMAN. Very good.

Senator CRANSTON. I will just say the same thing. [Laughter.]

I support the nomination. I won't take the time to read the statement I have explaining why I do.

Mr. MACOMBER. Thank you, Senator.

The CHAIRMAN. We will make the statement part of the record. Also I have Senator Dixon's statement for insertion in the record.

STATEMENT OF SENATOR ALAN DIXON

Senator DIXON. Mr. Chairman, I am pleased to be here this morning as the Banking Committee considers the nomination of John D. Macomber to be President of the Export-Import Bank. I have heard good things about Mr. Macomber and I look forward to his testimony.

This is a time of great challenge for the Export-Import Bank. It is under great budget pressure, and there are those who say its programs should be further cut back or even terminated. I profoundly disagree with that view. We are facing record trade deficits. Our international competition is making increasing use of tied-aid and other export subsidies. A strong, competitive Export-Import Bank is therefore a vital component of our export strategy.

I do not like subsidized credit; I would like to see its use eliminated. However, we cannot afford to act unilaterally. The only progress we have made in persuading our allies to cut back on their own credit subsidies was based on the strong competition the Export-Import Bank provided.

I wish I could say that the Bank has played the role it needs to play over the last 8 years, but the truth is that only continuing congressional pressure got the Bank to move at all. I hope that situation will change under Mr. Macomber's tenure. I look forward to an era of cooperation between Congress and the Bank, and an end to the all too frequent disputes of the past.

The CHAIRMAN. Let me just raise with you, if I may, an article which you may or may not have seen, which appeared in the Detroit News in May of this year. It is a very tough story looking at the Export-Import Bank. The headline on the story is "Bailout For Lending Agency?" Then the sub-headline is "Export-Import Bank, Its Billions In Bad Loans."

This was written by Mr. James Gannon, who is the Washington Bureau Chief for this newspaper and a very respected journalist of some years of experience and record. He goes on to say in this article—and I will just give you a couple of quotes from it—but the assertion, the thrust of the article is to say that the Bank is broke. It has a lot of outstanding items that are uncollectible and there is the potential for a very substantial requirement on the part of the taxpayers at some future date. Here is one paragraph.

Some critics want the Bank abolished, but liquidating it would cost billions of dollars.

The Bank as being "seriously insolvent." "According to a General Accounting Office estimate, if the Eximbank were liquidated

today, the taxpayers of our nation would be hit with a $4 billion to $6 billion tab. They talk about how that might have the potential to grow to even a higher level."

Obviously, you can't respond in detail to an article that you have not had the opportunity to see, but I do want you to take the article, read it, and give me a detailed response to it for the record.

The CHAIRMAN. In terms of the general thrust of the piece I have just tried to give a brief description about the potential for a major insolvency here, I would like your reaction to that now.

Mr. MACOMBER. Sure. I did see that piece shortly after it came out. I agree with you; it is a very tough piece.

[Response to article in the Detroit News follows:]

This is in response to your question requesting my reaction to issues posed in the May 23, 1989 article by James A. Gannon,

As you know, the Bank has been incurring operating losses since 1982. Prior to that time, the Bank consistently reported a yearly profit, accumulated reserves of $2.2 billion, and paid over $1 billion in dividends to the U.S. Treasury, our sole stockholder.

As the Bank has reported to Congress in the past, Eximbank's losses have been incurred as a result of following our Congressional mandate to provide export financing which is competitive with that offered by foreign governments in support of their exporters. To provide competitive financing, the Bank in the late 1970's and early 1980's had to offer export loans at rates which were up to 650 basis points lower than the market rates at which we fund our operations. This negative spread between our lending and borrowing rates is the principal cause of the losses incurred by the Bank over the past 8 years.

Although success in the OECD negotiations to link export credit rates to market rates has eliminated the large disparity which had existed between them, the large number of loans made in the late 1970's and early 1980's at interest rates substantially below our funding costs continues to be a negative drag on earnings. The attached schedule compares losses associated with that period's loans with other loans in the Bank's portfolio.

In the late 1970's and early 1980's the Bank's lending rate on new loans ranged from 7.75% to 9.25%. Exim funded these loans by borrowing from the FFB at market rates as high as 15.7% In addition to the large interest differential between Exim's lending and borrowing rates, the volume of authorizations was high, with almost $17 billion in loans authorized in FY 1979 - FY 1982 period. As the attached schedule shows, we calculate that through FY 1988, the funding losses associated with loans made in the FY 1979 - 1982 time period are approximately $2.7 billion.

In contrast, losses resulting from guarantee and insurance claims and loan write offs have been relatively low. During the same time period, net claim losses were $194 million while loan write offs were only $20 million.

Loan delinquencies do not immediately result in losses, only a delay in receiving payment. However, if at some point a determination is made that a delinquent loan or guarantee will not be collected, then that credit would be written off, resulting in a loss.

Regarding the outlay impact of delinquencies and defaults, Exim has always factored these into our budget estimates. Each year an evaluation is made of loans that are likely to experience repayment problems during the years covered by the budget. The amount of the adjustment depends on the amount of projected repayments for the identified problem credits. Since 1983, the

yearly reduction made to scheduled receipts for budget estimate purposes has ranged from $100 to $450 million. We are currently projecting a reduction in loan receipts of $391 million in FY 1990 and $386 million in FY 1991. This increases outlays in FY 1990 and FY 1991 by the amount receipts are reduced.

Estimates also are made of payments of guarantee and insurance claims, and recoveries of prior claims paid. The estimate of net claim payments has ranged from $117 million to $525 million over the past six years. Currently, we are estimating that net claims will be $132 million in FY 1990 and $142 million in FY 1991, increasing budget outlays by these amounts.

All Bank activities are direct, on budget obligations of the U.S. Government. Loan authorizations, loan write-offs, guarantee claim payments and all other obligations are reflected in the Bank's budget and financial statements as they occur. Budget Authority is provided at the time loans are authorized. Therefore, reschedulings or other delays in receipts do not increase the need for budget authority for those credits. However, if a loan is written-off as uncollectible, and no other income is available to repay the borrowing which originally funded the credit, then Budget Authority eventually would be needed to repay the Bank's outstanding borrowing. However, it would not be needed unless and until a decision was made to stop refinancing the borrowing and repay it.

Setting up a loan loss reserve would not change the timing or pattern of the U.S. Government's net outlays. As mentioned before, loan receipt estimates in the budget are already being adjusted for projected delayed payment of principal and interest. Setting up a reserve does not mean that the Bank would suddenly stop trying to collect these funds. The Bank would continue to pursue collection of all principal and interest amounts due. However, if loans and guarantees totalling the amount of the reserves were in fact eventually written off, then, as noted above, Budget Authority would be required to repay the Bank's borrowings which funded these credits.

The manner in which arrearages or write-offs are shown in the Bank's financial statements would have no affect on the ability to continue providing competitive export finance. A balance sheet with a large negative equity is not desirable, but in fact the Bank can continue operating regardless of its equity position. The Bank's obligations carry the full faith and credit of the U.S. Government; therefore, the Bank can continue funding its programs and operations indefinitely.

21-122 0 - 89 - 2

Having said that, there are some fundamental differences that you know a lot better than I do between the Bank and the S&L situation. Among other things, I would say that with Eximbank, what you see is what you get. The Bank has an extraordinarily detailed financial statement that lists those loans that are delinquent by various categories. So there is a good record of what is current and what is not current. Coming as, the ex-head of an audit committee of Chase Bank, I can tell you I looked at Eximbank's financial statement with a fair amount of care.

There is another issue, though. Again, I don't propose to have an answer to this, but there is the issue of what to do about sovereign loans that aren't quite good as gold. In the commercial banks we have created loan loss reserves. That is a bookkeeping device that takes care of the situation.

The historical point of view of the Federal Government, and correctly so, has been that we don't need that because sovereigns pay their loans to each other. The last 3 or 4 years have seen a change in that, and of course the Brady plan is arguing for debt reduction. Whether or not we change the bookkeeping, I think it is very important within the statements of the Bank that we continue to bring out the fact that a lot of these loans are delinquent.

Now, I don't think we should just go in and have a tick and check approach to this because a sovereign loan indeed is different from a commercial bank loan. It is a different level of quality.

The CHAIRMAN. If I could just stop you there. Can you give us—do you know the number, the ballpark number, as to the nonperforming or delinquent loans and the percentage of those that would be owed by sovereign countries as opposed to anybody else?

Mr. MACOMBER. I think the number is about $2.5 billion.

The CHAIRMAN. $2.5 billion would be the number that would be in the nonperforming category. They would be delinquent for what length of time, at least 6 months?

Mr. MACOMBER. It is a definition of that type. I think it is something along those lines.

The CHAIRMAN. So $2.5 billion is roughly the part that you see—and you are something of an expert on the quantity, the numbers. You are new to this assignment, but you understand it to be in the range of $2.5 billion?

Mr. MACOMBER. GAO says it could be between $3.5 billion and $6 billion. Now, you get into the definitions of what is a delinquent loan and how delinquent is it, and that is where the murky part is. If you went in and did the tick and check, you would come out with $6 billion. That is probably about right.

I don't want to guess. It is going to be somewhere between that and my lower number.

The point here is that I think we had better be sure, and I think we do have full disclosure.

The other issue is the broader national issue, which is does this country acknowledge that sovereign loans are not always paid off?

The CHAIRMAN. You know, to go back to your earlier statement, you come from an area of the country and a background where $200 million or $300 million is a lot of money, and it is a lot of money to me and I think to my colleagues at the table.

The fact that we may have an outstanding deficiency that is at a minimum $2.5 billion, in terms of the estimates of the GAO may range up as high as $6 billion, on top of everything else—we are finding we have deficiencies in the Department of Housing and Urban Development. We have deficiencies here, there, and in other places. As we start to total up all of the bad assets or situations where we have taken losses or value has disappeared, this sounds like this might be one more that has to go on the list.

So it has meaning in and of itself, but it also has the separate meaning in the context of how many problems do we have across the landscape that have to be thought of in combination with each other.

So we will look forward to having you come back at an early date and really give us a good time fix on the financial side of this puzzle.

Mr. MACOMBER. May I add that the only solace in this whole thing is that the commercial sector has exactly the same problem without the comfort of sovereign to sovereign, so——

The CHAIRMAN. I am not sure I see the solace in it.

Mr. MACOMBER. I don't see any solace at all. What I am saying is that from a national policy point of view the management of debt in this country is a very, very large issue. It goes way beyond these hearings. I have some very strong feelings about it that have nothing to do with the subject today, but I will be glad to talk to you about it.

The CHAIRMAN. Let me call on Senator Pressler.

Senator PRESSLER. Thank you very much, Mr. Chairman.

I am very pleased to see a nominee of your ability and background. I am a McKinsey alumnus myself. So I am happy to see your experience with McKinsey. I just went to their annual dinner.

The CHAIRMAN. Did you notice the Harvard Business School background, too?

Senator PRESSLER. I did. That is where I met our Chairman, and he urged me to become a Republican at this time.

In any event, I have a couple of questions. This probably falls under a law we passed around here. It is one of these reforms.

Under your Presidential nominee questionnaire, "Potential Conflicts of Interests," you list various retirement things as potential conflicts of interest.

Why are they potential conflicts of interest? I don't see—does McKinsey give any retirement? Would that be in the same category? I don't see McKinsey & Company listed down here in this attachment 4.

Mr. MACOMBER. I honestly don't know why the word "potential" is in there as far as McKinsey & Company is concerned. I have done the same thing as you did, Senator. I stuck some money away in one of those thrift plans years ago. I have nothing to do with what they invest in.

Senator PRESSLER. What does this mean, for example, here under the Celanese one? Your pension benefit is listed as a potential conflict of interest. Why would that be?

Obviously, you submitted this.

Mr. MACOMBER. I think probably the attorneys—when they were going through this--were trying to be extraordinarily careful for

the benefit of the Ethics Office. They listed every single asset that I had and wanted to be sure that everyone knew about it.

I am gloriously displayed there in Technicolor. There is not much about me that anybody doesn't know.

Senator PRESSLER. I learn something new every day.

I am glad a nominee of your ability is taking on this job, and I commend you for the effort.

Mr. MACOMBER. Thank you, Senator. I am glad to hear you say that.

Senator DIXON. Mr. Chairman?

The CHAIRMAN. Senator Dixon.

Senator DIXON. May I inquire most respectfully, are we planning to do the markup on Mr. Macomber and Mr. Skarzynski at 11:15?

The CHAIRMAN. We are, indeed. We are going to do it exactly at 11:15.

I am going to excuse the witness at this point and thank him for his testimony, and I would ask for a motion.

I have to take note of the fact that we do not have a quorum seated here at the moment, but when we begin the voting process, I want to maintain a rolling quorum. Anyone who comes in to be recorded during the course of the day be so recorded, as we have a number of other assignments that have to take place.

[Whereupon, at 11:15 a.m., the committee was adjourned.]

[Biographical sketch of nominee follows:]

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: MACOMBER (LAST) JOHN (FIRST) DeWITT (OTHER)

Position to which nominated: President & Chairman Export-Import Bank of the U.S. Date of nomination:

Date of birth: 13 (DAY) 1 (MONTH) 28 (YEAR) Place of birth: Rochester, New York

Marital status: Married Full name of spouse: Caroline Morgan Macomber

Name and ages of children: Janet Morgan Macomber 3/12/63
Elizabeth Currie Macomber 12/06/65
William Butts Macomber II 1/17/74

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Harvard Business School	9/50-6/52	MBA	6/52
Yale University	9/46-6/50	BA	6/50
Phillips Academy	9/42-6/46	Diploma	6/46

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

1982, '83, '85 - Named Bronze Award winner for the chemical industry in Financial World Magazine's CEO Honor Roll
1985 - Named Bronze Award winner as one of the top CEO's in the chemical industry in The Wall Street Transcript
1985 - Recipient of Yeshiva University's Distinguished Service Award
1985 - Recipient of NOW Legal Defense & Education Fund's Equal Opportunity Award

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
See Attachment I		

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

3/87 Present	Chairman, J. D. Macomber & Co. 1211 Avenue of the Americas New York, New York 10036
7/73-3/87	Chairman & Chief Executive Officer Celanese Corporation (Hoechst-Celanese Corporation) Route 202-206 North Somerville, New Jersey 08876
9/68-7/73	Director, McKinsey & Company, Inc. 55 East 52nd Street New York, New York 10022
4/64-9/68	Director, McKinsey & Company, Inc. 27/29 Rue du Bassano Paris, France
3/61-4/64	Director, McKinsey & Company, Inc. Zolikerstrasse 225 Zurich, Switzerland
10/55-3/61	Director, McKinsey & Company, Inc. 55 East 52nd Street New York, New York 10022
1952-6/54	1st Lieutenant, U.S. Air Force

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

U.S. Advisory Committee for Trade Negotiations
Member 1986-1988

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

None

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

I have been active in New York Republican affairs for many years, primarily as a fund raiser.

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

See Attachment II

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

See Attachment III

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

No

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

See Attachment IV

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

It is my intention to divest the following investments (which are now held by my wife, my children and/or me) which could, if held, present potential conflicts of interest with the position to which I have been nominated:

1. IT&T
2. United Technologies
3. State Street Bank & Trust
4. Chase Manhattan Bank
5. IBM
6. Ford
7. General Electric
8. Xerox Corporation

Moreover, I am currently affiliated with numerous business, civic and cultural organizations disclosed on Attachment I hereto. Such relationships might also involve potential conflicts of interest with the position to which I have been nominated. I intend to terminate any such relationship that might involve a potential conflict of interest as more fully described in item 5 below

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None that I know of, but if such a conflict should arise in the future by reason of any such business relationship, dealing or financial transaction, I would abstain from participating in such matter when required by law. Moreover, whenever it appears to me that there may be a possible appearance of impropriety, despite the lack of any actual conflict of interest, with regard to my participation in any matter, I intend to consult with my agency's government ethics officer as to whether it is appropriate for me to disqualify and recuse myself with respect to such matter, and I intend to disqualify and recuse myself, on a case-by-case basis, as my agency's government ethics officer deems appropriate.

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

I have been interested in advancing the use of non-traditional fuels such as methanol and ethanol. In connection with this I have spoken to numerous national and local legislators.

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

Prior to taking office, I intend to terminate my affiliation with all organizations listed on Attachment I, with the exception of those noted with an asterisk on Attachment I. If in the future any such continuing affiliation should create a potential conflict of interest, I would terminate such affiliation when required by law.

It is my intention to resolve the potential conflicts of interest presented by the investments disclosed by my response to Question 2 of this section in the following manner: prior to taking office, I intend to liquidate my family's investments in the entities listed in Question 2 of this section. If a matter should arise in the future which creates a conflict between the Bank and me by virtue of my family's investments, I will either dispose of such investment or abstain from participating in that matter when required by law.

In addition, whenever it appears to me that there may be a possible appearance of impropriety, despite the lack of any actual conflict of interest, with regard to my participation in any matter, I intend to consult with my agency's government ethics officer as to whether it is appropriate for me to dispose of the investment creating the possibile appearance of impropriety and/or disqualify and recuse myself with respect to such matter, and I intend to dispose of such investment and/or disqualify and recuse myself, on a case-by-case basis, as my agency's government ethics officer deems appropriate.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

See Attachment V

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

ATTACHMENT I

UNITED STATES SENATE PRESIDENTIAL NOMINEE QUESTIONNAIRE
OF JOHN D. MACOMBER

MEMBERSHIPS

*	ORGANIZATION	OFFICE HELD	DATES
1.	American Health Companies, Inc.	Director	1987-1988
2.	Bristol-Myers Company	Director	1978-Present
3.	Celgene Corporation	Director	1987-Present
4.	DNA Plant Technology, Inc.	Director	1987-Present
5.	Florida Power & Light Group, Inc.	Director	1987-Present
6.	Lasertechnics, Inc.	Chairman Director	1987-Present
7.	Celanese Corp.	Chairman/Chief Executive Officer	1978-3/87
8.	Furniture Corporation of America (formerly TPI Holding Co.)	Director	1986-Present
9.	Pilkington Glass, Ltd.	Director	1987-Present
10.	National Executive Services Corp.	Director	1987-Present
11.	RJR Nabisco, Inc.	Director	1975-1989

---

* I plan to continue only the affiliations noted with an asterisk.

	ORGANIZATION	OFFICE HELD	DATES
12.	Spencer Stuart U.S. Advisory Board	Director	1988-Present
13.	The Business Round Table	Member	1979-1987
14.	The Chase Manhattan Bank	Director	1975-Present
15.	The Rockefeller & Co., Inc.	Trustee	1988-Present
16.	U.S. Chamber of Commerce	Director	1986-1988
17.	Xerox Corporation	Director	1987-Present
18.	Atlantic Institute for International Affairs	Director	1987-1988
* 19.	Carnegie Institute of Washington	Trustee	1981-Present
20.	Cambridge Capital Holdings, Inc.	Advisor	1988-Present
21.	Council of the Americas	Director Vice-Chairman	1980-1988 1981-1986
* 22.	Council on Foreign Relations	Member	1969-Present
* 23.	Government-University-Industry Roundtable (National Academy of Science)	Member	1987-Present
24.	Graduate Management Admissions Council	Member	1987-Present
25.	New York Academy of Sciences Board of Governors	Governor	1/89-Present
* 26.	New York Historical Society Advisory Committee	Chairman	9/88-4/89
* 27.	Phillips Academy	Trustee	1987-Present

	ORGANIZATION	OFFICE HELD	DATES
28.	Project Strive Advisory Board	Member	1986-1988
29.	The Americas Society	Vice-Chairman Director	1981-1988 1981-Present
30.	The French-American Foundation	Director	1986-Present
31.	The Harvard Business School Club	Director	1982-1987
32.	The New York City Ballet	Director	1985-1988
33.	The New York Philharmonic	Honorary Director	1987-Present
34.	The New York Zoological Society	Trustee	1971-1982
* 35.	The Rockefeller University	Trustee	1982-Present
36.	Waterfowl Research Foundation, Inc.	Trustee	1985-Present
37.	Whitehead Institute of MIT	Trustee	1982-1985
38.	Yale School of Organization & Management Advisory Board	Chairman	1982-Present
39.	The North Haven Development Corporation	Director	1982-1988
40.	North Haven Foundation	Trustee	1983-1988
41.	J.D. Macomber & Co.	Chairman	3/87-present

ATTACHMENT II

UNITED STATES SENATE PRESIDENTIAL NOMINEE QUESTIONNAIRE
OF
JOHN D. MACOMBER

POLITICAL CONTRIBUTIONS

1986	Funds for Americas Future	$10,000
	New York State Republican Committee	2,000
	People for Andy O'Rourke	1,000
	V.P. Exploratory Account	750
	The Empire Club	1,000
	Mark White for Governor	1,000
		$15,750
1987	New York State Republican Committee	$ 500
	Roger Boas for Mayor	500
	Roger Boas for Mayor (Mrs. Caroline Macomber)	500
	Fund for Americas Future	5,000
	The Empire Club - Republican State Committee	1,000
		$ 7,500
1988	Michigan Fairness Committee	$ 5,000
	New York State Republican Committee	1,000
	Presidential Trust	10,000
	Presidential Trust (Mrs. Caroline Macomber)	10,000
		$26,000
1989	New York State Republican Committee	$ 500
	New York State Republican Finance Committee	$10,000
		$10,500

Note: My wife and I do not retain our personal checks for more than four years.

ATTACHMENT III

UNITED STATES SENATE PRESIDENTIAL NOMINEE QUESTIONNAIRE
OF
JOHN D. MACOMBER

Qualifications

I believe my experience in three different areas is relevant in considering my appointment.

1. I was Chief Executive Officer of Celanese Corporation, a large multinational technically-oriented company from 1978 to 1987. An important percentage of the company's sales and earnings fell under the broad category of "international trade", i.e., exports from the United States or significant capital investments in overseas countries, primarily with Mexico, Latin America, Japan and China.

During the period 1986-1988 I was a member of the U.S. Advisory Committee for Trade Negotiations. At that time, there was a special emphasis on coming to grips with unfair trade practices of other countries.

2. Prior to Celanese, I spent 20 years with McKinsey & Company, an international management consulting firm. Approximately half of this time was spent living in Europe.

3. I have been a board member of the Chase Manhattan Bank for 14 years giving me familiarity with banking operations, issues and attitudes. In addition, I have been chairman of their audit committee for five years, so I have had the opportunity of specific experience with the problems and opportunities of the LDC's.

The combination of running a large worldwide organization, consulting with leaders of overseas businesses, and being involved with an international money center bank should be helpful in leading the Export-Import Bank.

ATTACHMENT IV

UNITED STATES SENATE PRESIDENTIAL NOMINEE QUESTIONNAIRE
OF
JOHN D. MACOMBER

POTENTIAL CONFLICTS OF INTEREST

Answer to Question 1:

1. Hoechst-Celanese

   (a) Annual pension benefit of $535,194 ($70,172 paid from Hoechst-Celanese Retirement Income Plan and $465,022 being paid from the Hoechst-Celanese Executive Pension Plan);

   (b) Life Insurance coverage currently $245,000 (decreases to $195,000 on 3/1/90, decreases to $145,000 on 3/1/91; decreases to $100,000 on 3/1/92);

   (c) covered under Retired Officer's Medical Plan;

   (d) right to office facilities and secretarial services (1987-1991); and

   (e) Matching gifts program (gifts to qualified higher educational institutions up to $5,000 per year, matched two for one up to $2,500 per institution, per year).

2. Bristol-Myers

   (a) Will receive $33,325 annually for life under Retirement Plan for Non-Employee Directors; and

   (b) Matching Gift Program up to $10,000 per year.

3. Xerox Corporation

Matching Gifts Program (gifts to qualified educational institutions or cultural organizations from $100 to $1,000 matched one and a half for one up to $1,000 per institution or organization per year).

4. RJR Nabisco, Inc.

(a) Matching Gifts Program (gifts to qualified educational institutions matched two for one up to $40,000 per year for gifts aggregating $20,000 or more; gifts to qualified arts institutions matched one for one up to $10,000 per year);

(b) $100,000 Life Insurance coverage;

(c) Automobile Insurance coverage for $150 per car per year; and

(d) Pension benefits funded by Nabisco purchase of annuity contract (payable 4,166.67 per month) 3/31/89 - 3/31/04, or elected actuarial equivalent form).

5. DNA Plant Technology Corp.

The following currently held stock options will terminate 90 days after the giving of notice of resignation; however, a committee of the Corporation has the power to amend the option agreements.

(a) March 17, 1987 option grant of 20,000 shares @ $10.00/ share (4,000 shares vested as of May 1, 1989) expiring March 17, 1997;

(b) June 8, 1987 option grant of 3,000 shares @ $12.875/share (fully vested) expiring June 18, 1997;

(c) March 2, 1988 option grant of 6,000 shares @ $5.25/share (fully vested) expiring March 2, 1998; and

(d) November 30, 1988 option grant of 5,000 shares @ $4.50/share (fully vested) expiring November 30, 1998.

6. Chase Manhattan Bank

Pursuant to retirement plan for Directors, upon retirement, will receive $20,000 annually for 14 years.

7. Celgene Corp.

(a) A currently held 10-year option to purchase 8,333 shares @ $9.00/share, of which 4,999 shares are now vested, will continue to vest after resignation (1,666 shares on each of 4/6/90 and 4/6/91) and will be exercisable for the remainder of the option term which expires on 4/6/97.

(b) Distribution of 4,000 shares of Celgene Corporation restricted stock in consideration of past services approved by the Board of Directors on May 31, 1989.

8. Lasertechnics, Inc.

The vested portion of a currently held 5-year option to purchase One Million shares @ $1.875 will continue after resignation and will be exercisable for the remainder of the term which expires on 8/19/92; as of May 1, 1989, 666,667 shares are vested.

ATTACHMENT V

UNITED STATES SENATE PRESIDENTIAL NOMINEE QUESTIONNAIRE
OF
JOHN D. MACOMBER

Civil, Criminal and
Investigatory Actions

Answer to Question 1:

The following information has been furnished by the General Counsel of the corporations referred to below:

Chase Manhattan Bank

As a director of Chase, I have been named a defendant in two civil actions filed against Chase, its directors and certain of its officers in Delaware Chancery Court, New Castle County, entitled Handel v. The Chase Manhattan Corp., et al., No. 6921 (1982), and Kaplan v. Verity, et al., No. 7124 (1983). Both actions, which arose from the collapse of Penn Square Bank and Drysdale Government Securities Inc., were voluntarily withdrawn and dismissed.

RJR Nabisco, Inc.

In connection with RJR Nabisco's Board announcement in October 1988 that certain members of RJR Nabisco's management were interested in acquiring RJR Nabisco in a leveraged buy out, several suits were filed in the Delaware Chancery Court and consolidated under the name In Re RJR Nabisco, Inc. Shareholders Litigations. RJR Nabisco, its directors, including myself, and Kohlberg, Kravis and Roberts ("KKR") are the defendants. The plaintiffs allege the RJR Nabisco Board violated its fiduciary duty to RJR Nabisco's stockholders in favoring KKR in its efforts to acquire RJR Nabisco and in agreeing to pay KKR a fee if the KKR merger agreement was terminated by the RJR Nabisco directors.

In addition, a separate action, Bluegrass Partners Ltd. v. RJR Nabisco, was also brought against RJR Nabisco and its directors, including myself, in a county court in Georgia. This case, which is a purported class action on behalf of all RJR Nabisco shareholders, alleges

that the directors breached their fiduciary duties by accepting KKR's tender offer, by conducting an unfair auction of RJR Nabisco and by approving certain severance agreements with RJR Nabisco's management. Defendants are attempting to stay this action because it is substantially identical to the case referred to in the preceding paragraph.

American Health Companies, Inc.

All the directors of American Health Companies, Inc., including myself, are parties to two lawsuits in the Delaware Chancery Court brought by shareholders of American Health relating to a successful tender offer in 1989 of J. Thomas H. Lee and affiliates for the stock of American Health. American Health and Thomas H. Lee are also defendants. The suits have been consolidated under the name Susman Law Associates. They involve allegations that American Health's shares were sold for too low of a price. It is my understanding that these suits are typical of those filed immediately after a leveraged buy out tender offer for a public company is announced. The cases are currently dormant.